

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

MARYSVILLE HOUSING COMMISSION

Financial Statements

March 31, 2004

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Opinion	1
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses and Net Assets	3
Combined Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Statement of Net Assets	11
Combining Statement of Revenues and Expenses	12
Schedule of Annual Federal Awards	13
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	14
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Status of Prior Audit Findings	17
Schedule of Findings and Questioned Cost	18
Finding: 1) Out of State Investments	19
2) Tenant Accounting Discrepancies	20

Certified Public Accountant

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Board of Commissioners
Marysville Housing Commission
1100 New York
Marysville, Michigan 48040

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Marysville Housing Commission as of and for the year ended March 31, 2004. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marysville Housing Commission as of March 31, 2004, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 14, 2004, on my consideration of the Marysville Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountant

October 14, 2004

MARYSVILLE HOUSING COMMISSION
Combined Statement of Net Assets

March 31, 2004

ASSETS

C-3201

CURRENT ASSETS

Cash	\$	115,395
Accounts Receivable		2
Accounts Receivable- HUD		67,868
Accrued Interest Receivable		4,578
Investments		510,425
Interprogram- due from		<u>67,868</u>

Total Current Assets	\$	766,136
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NON CURRENT ASSETS

Land	\$	104,253
Buildings & Improvements		3,768,997
Furniture, Equipment- Dwellings		77,917
Furniture, Equipment- Administrative		116,327
Leasehold Improvements		1,390,815
Accumulated Depreciation		<u>(2,359,497)</u>

Total Non Current Assets		<u>3,098,812</u>
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TOTAL ASSETS

\$ 3,864,948

MARYSVILLE HOUSING COMMISSION
Combined Statement of Net Assets
March 31, 2004

LIABILITIES

C-3201

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	23,902
Accrued Wages & Payroll Taxes		17,276
Accounts Payable- Other Governments		28,088
Tenants Security Deposit		28,088
Deferred Revenue		51
Other Current Liabilities		11,048
Interprogram due to		<u>67,868</u>
<u>Total Current Liabilities</u>	\$	169,060

NET ASSETS:

Contributed Capital	\$	2,377,761
Net Assets		<u>1,318,127</u>
<u>Total Equity</u>		<u>3,695,888</u>

TOTAL LIABILITIES & EQUITY \$ 3,864,948

The Accompanying Notes are an Integral Part of the Financial Statements

MARYSVILLE HOUSING COMMISSION
Combined Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended March 31, 2004

	<u>Business Type Activities</u>
<u>OPERATING REVENUE</u>	
Tenant Rental Revenue	\$ 335,424
HUD Grants	583,078
Interest Income	10,326
Other Income	<u>2,039</u>
 <u>Total Operating Revenue</u>	 \$ 930,867
 <u>OPERATING EXPENSES</u>	
Administrative	\$ 124,592
Tenant Services	5,812
Utility Expenses	84,882
Ordinary Maintenance	172,753
General Expenses	<u>43,777</u>
 <u>Total Operating Expenses</u>	 <u>431,816</u>
 <u>Operating Income (Loss)</u>	 \$ 499,051
 <u>NONOPERATING REVENUES (EXPENSES)</u>	
Extraordinary Maintenance	\$ (26,243)
Casualty Losses	574
Depreciation Expenses	<u>(166,131)</u>
 <u>Total Nonoperating (Expenses)</u>	 <u>(191,800)</u>
 <u>Change in Net Assets</u>	 \$ 307,251
 Total Net Assets- Beginning	 <u>3,388,637</u>
 Total Net Assets- Ending	 \$ <u>3,695,888</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

MARYSVILLE HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended March 31, 2004

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 335,590
Payments to Suppliers	(291,927)
Payments to Employees	(183,271)
HUD Grants	583,078
Other Receipts (Payments)	<u>12,365</u>
Net Cash Provided (Used) by Operating Activities	\$ 455,835

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(497,743)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (41,908)
Balance- Beginning of Year	<u>157,303</u>
Balance- End of Year	\$ <u>115,395</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 307,251
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	166,131
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	13,932
Investments	(14,516)
Interfund Due From	15,319
Changes in Liabilities Increase (Decrease):	
Bank Overdraft	(6,652)
Accounts Payable	11,800
Accrued Liabilities	1,890
Security Deposits	389
Accounts Payable- Other Governments	(12,075)
Deferred Revenue	(89)
Accrued Liabilities- Other	(12,226)
Interfund Due To	<u>(15,319)</u>
Net Cash Provided by Operating Activities	\$ <u>455,835</u>

The Accompanying Notes are an Integral part of the Financial Statements

MARYSVILLE HOUSING COMMISSION
Notes to Financial Statements
March 31, 2004

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Marysville Housing Commission, Marysville, Michigan, (Commission) was created by ordinance of the city of Marysville. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 161-1	Low rent program	132 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Savings Account	\$ 114,540
Checking Account	755
Petty Cash	<u>100</u>
Financial Statement Total	\$ <u>115,395</u>

Investments:

Certificates of Deposit	\$ 317,000
Treasury Bills	193,170
Savings Account	<u>255</u>
Financial Statement Total	\$ <u>510,425</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 755	\$	\$	\$ 755	\$ 755
Savings A/C's	114,540			114,540	114,540
Petty Cash	<u>100</u>			<u>100</u>	<u>100</u>
Total Cash	\$ <u>115,395</u>	\$	\$	\$ <u>115,395</u>	\$ <u>115,395</u>
Investments:					
C/D's	\$ 317,000	\$	\$	\$ 317,000	\$ 317,000
Treasury Bills	193,170			193,170	193,170
Savings Accounts	<u>255</u>			<u>255</u>	<u>255</u>
Total Invest	\$ <u>510,425</u>	\$	\$	\$ <u>510,425</u>	\$ <u>510,425</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 104,253	\$	\$	\$ 104,253
Buildings	3,768,997			3,768,997
Furniture & Equipment-Dwellings	77,917			77,917
Furniture & Equipment-Admin	112,496	3,831		116,327
Leasehold Improvements	<u>896,903</u>	<u>493,912</u>		<u>1,390,815</u>
	\$ 4,960,566	\$ 497,743	\$	\$ 5,458,309
Less Accumulated Depreciation	<u>2,193,366</u>	<u>166,131</u>		<u>2,359,497</u>
	\$ <u>2,767,200</u>	\$ <u>331,612</u>	\$	\$ <u>3,098,812</u>

Note 4: Pension Plan

The Commission has a Defined Contribution Pension Plan for all eligible employees. The Plan allows for participating employees to make contributions as well as the contributions made on their behalf by the Commission. This plan only defines the amount contributed each year as a percent of gross wages (usually 3-5% annually)

Notes to Financial Statements- continued.

Note 5: Accrued Liabilities- Other.

Accrued liabilities other consist of the following:

Utilities payable	\$	11,048
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Note 6: HUD Guaranteed Debt and Contributed Capital.

HUD guaranteed debt has been reclassified to Contributed Capital for all years ending after March 31, 1999. The reclassification is a result of all HUD programs converting from a basis of accounting prescribed by HUD other than Generally Accepted Accounting Principles (GAAP), to GAAP.

Contributed capital consists of original reserved and unreserved surplus, and cumulative HUD contributions, adjusted for current year depreciation expense.

Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 9 :Segment Information for Enterprise Funds.

The Commission maintains an enterprise fund; segment information for the year ended March 31, 2004, is as follows:

Operating Revenue	\$	583,078
operating Income		499,051
Non Operating Revenue (Expenses)		
Casualty Insurance Proceeds		574
Extra Ordinary Maintenance		(26,243)
Depreciation Expense		(166,131)
Net Profit (Loss)		307,251
Non Current Assets (net)		3,098,812
Total Assets		3,864,948
Net Assets		1,318,127

Notes to Financial Statements- continued

Note 10:Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,760,000
General Liability	1,000,000
Errors & Omissions	50,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

Combining Balance Sheet		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	115,395		115,395
112	Cash - restricted - modernization and development		-	-
113	Cash - other restricted			-
114	Cash - tenant security deposits			

				-
100	Total cash	115,395	-	115,395
	Accounts and notes receivables:			
121	Accounts receivable - PHA projects			-
122	Accounts receivable - HUD other projects	-	67,868	67,868
124	Accounts receivable - other government			-
125	Accounts receivable - miscellaneous	-		-
126	Accounts receivable- tenants - dwelling rents	2		2
126.1	Allowance for doubtful accounts - dwelling rents			-
126.2	Allowance for doubtful accounts - other	-		-
127	Notes and mortgages receivable-current			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivable	4,578		4,578
120	Total receivables, net of allowances for doubtful accounts	4,580	67,868	72,448
	Current investments			-
131	Investments - unrestricted	510,425		510,425
132	Investments - restricted			-
142	Prepaid expenses and other assets	-		-
143	Inventories	-		-
143.1	Allowance for obsolete inventories	-		-
144	Interprogram - due from	67,868		67,868
146	Amounts to be provided			-
150	TOTAL CURRENT ASSETS	698,268	67,868	766,136
	NONCURRENT ASSETS:			
	Fixed assets:		-	

161	Land	104,253		104,253
162	Buildings	3,768,997	-	3,768,997
163	Furniture, equipment & machinery - dwellings	77,917		77,917
164	Furniture, equipment & machinery - administration	116,327		116,327
165	Leasehold improvements	833,765	169,000	1,002,765
167	Construction in Progress		388,050	388,050
166	Accumulated depreciation	(2,351,085)	(8,412)	(2,359,497)
160	Total fixed assets, net of accumulated depreciation	2,550,174	548,638	3,098,812
171	Notes and mortgages receivable - non-current			-
172	Notes and mortgages receivable-non-current-past due			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint ventures			-
180	TOTAL NONCURRENT ASSETS	2,550,174	548,638	3,098,812
190	TOTAL ASSETS	3,248,442	616,506	3,864,948
	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft	-		-
312	Accounts payable ≤ 90 days	23,902		23,902
313	Accounts payable > 90 days past due			-
321	Accrued wage/payroll taxes payable	17,276		17,276
322	Accrued compensated absences	-		-
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA programs			-
332	Accounts Payable - PHA Projects			
333	Accounts payable - other government	20,827		20,827
341	Tenant security deposits	28,088		28,088
342	Deferred revenues			

		51		51
343	Current portion of Long-Term debt - capital projects			-
344	Current portion of Long-Term debt - operating borrowings			-
345	Other current liabilities	-		-
346	Accrued liabilities - other	11,048		11,048
347	Inter-program - due to		67,868	67,868
310	TOTAL CURRENT LIABILITIES	101,192	67,868	169,060
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital projects			-
352	Long-term debt, net of current- operating borrowings			-
353	Noncurrent liabilities- other			-
354	Accrued Compensated Absences- Non Current	-	-	-
350	TOTAL NONCURRENT LIABILITIES	-	-	-
300	TOTAL LIABILITIES	101,192	67,868	169,060
	EQUITY:			
501	Investment in general fixed assets			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guaranteed	-	-	-
504	Net HUD PHA contributions	2,273,508	-	2,273,508
505	Other HUD contributions	-		-
507	Other contributions	104,253		104,253
508	Total contributed capital	2,377,761	-	2,377,761
	Reserved fund balance:			
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-

511	Total reserved fund balance	-		-
512	Undesignated fund balance/retained earnings	769,489	548,638	1,318,127
512.1	Undesignated Net Assets	-	-	-
513	TOTAL EQUITY	3,147,250	548,638	3,695,888
600	TOTAL LIABILITIES AND EQUITY	3,248,442	616,506	3,864,948

Marysville Housing Commission

31-Mar-04

MI161

	Combining Income Statement	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	REVENUE:			
703	Net tenant rental revenue	335,424		335,424
704	Tenant revenue - other	-		-
705	Total tenant revenue	335,424	-	335,424
706	HUD PHA grants	106,320	476,758	583,078
708	Other government grants			-
711	Investment income - unrestricted	10,326		10,326
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	2,039		2,039
716	Gain or loss on the sale of fixed assets			-
720	Investment income - restricted			-
700	TOTAL REVENUE	454,109	476,758	930,867
	EXPENSES:			
	Administrative			
911	Administrative salaries	81,372		81,372
912	Auditing fees	2,000		2,000
913	Outside management fees			

		-		-
914	Compensated absences	-		-
915	Employee benefit contributions- administrative	17,478		17,478
916	Other operating- administrative	23,742		23,742
	Tenant services			
921	Tenant services - salaries			-
922	Relocation costs			-
923	Employee benefit contributions- tenant services			-
924	Tenant services - other	5,812		5,812
	Utilities			
931	Water	36,141		36,141
932	Electricity	24,369		24,369
933	Gas	24,372		24,372
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	101,899		101,899
942	Ordinary maintenance and operations - materials & other	21,156		21,156
943	Ordinary maintenance and operations - contract costs	28,336		28,336
945	Employee benefit contributions- ordinary maintenance	21,362		21,362
		-		
	Protective services			
951	Protective services - labor			-
952	Protective services- other contract costs			-
953	Protective services - other			-
955	Employee benefit contributions- protective services			-

	General expenses			
961	Insurance premiums	22,950		22,950
962	Other General Expense			-
963	Payments in lieu of taxes	20,827		20,827
964	Bad debt - tenant rents	-		-
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense			-
968	Severance expense			-
969	TOTAL OPERATING EXPENSES	431,816	-	431,816
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	22,293	476,758	499,051
971	Extraordinary maintenance	26,243		26,243
972	Casualty losses - non-capitalized	(574)		(574)
973	Housing assistance payments			-
974	Depreciation expense	157,719	8,412	166,131
975	Fraud losses			-
976	Capital outlays- governmental funds	-		-
977	Debt principal payment- governmental funds			-
978	Dwelling units rent expense			-
900	TOTAL EXPENSES	615,204	8,412	623,616
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in (out)	2,895	(2,895)	-
1002	Operating transfers out	-	-	-
1003	Operating transfers from/to primary government			-
1004	Operating transfers from/to component unit			-

1005	Proceeds from notes, loans and bonds			-
1006	Proceeds from property sales			-
1010	TOTAL OTHER FINANCING SOURCES (USES)	2,895	(2,895)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(158,200)	465,451	307,251

MARYSVILLE HOUSING COMMISSION
Schedule of Annual Federal Awards
For the Year Ended March 31, 2004

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

CFDA 14.850 Public and Indian Housing

Annual Program
Expenditures

C-3201 Operating Subsidies \$ 106,320

* CFDA 14.872 Capital Projects Funds

C-3201 Capital Funds Grant \$ 476,758

\$ 583,078

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,760,000
General Liability	1,000,000
Dishonesty Bond	50,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

-13-

MARYSVILLE HOUSING COMMISSION
Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133
March 31, 2004

Compliance

I have audited the compliance of Marysville Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2004. Marysville Housing

Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marysville Housing Commission's management. My responsibility is to express an opinion on Marysville Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marysville Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Marysville Housing Commission's compliance with those requirements.

In my opinion, Marysville Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Out of State Investments	04-1	Cash Management
Tenant Accounting Discrepancies	04-2	Reporting; Eligibility

-14-

Internal Control over Compliance

The management of Marysville Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Marysville Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more

of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 14, 2004

-15-

MARYSVILLE HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2004

I have audited the financial statements of Marysville Housing Commission, Marysville, Michigan, as of and for the year ended March 31, 2004, and have issued my report thereon dated October 14, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marysville Housing

Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: finding 04-1 and 04-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Marysville Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Marysville Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 14, 2004

-16-

MARYSVILLE HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2004

The prior audit of the Marysville Housing Commission for the period ended March 31, 2003, did not contained any audit findings.

-17-
MARYSVILLE HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2004

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Fund Program	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted X Yes _____ No

Non Compliance material to financial statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee qualified as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	4-01; 4-02
Capital Fund Program	Yes	None	N/A

-18-

MARYSVILLE HOUSING COMMISSION
Schedule of Findings & Questioned Cost
March 31, 2004

The following findings of the Marysville Housing Commission, for the year ended March 31, 2004, was discussed with the Executive Director, Mr. Wayne Pyden, in an exit interview conducted October 14, 2004.

Finding 4-1: Out of State Investments.

The Commission has investments with out of State institutions. This is in violation of the Michigan Investment Policy, P.A. 196 of 1997.

Recommendation

The investments appear to be reasonable and secure; however, the State of Michigan Public Acts, MCL 129.95, requires all investments be held in State.

I recommend the Commission discontinue purchasing investments out of State; I would suggest keeping the current investments until they expire so there is no loss of principle or penalties for early withdrawal.

Reply

-19-

Finding 4-02: Tenant Accounting Discrepancies.

Seven tenant files were tested; the following discrepancies were noted:

One re-examination was not completed within the past 12 months; seven files lacked rent election forms; seven files were missing inspection forms.

Recommendation

Compliance with HUD requirements, such as inspections, re-examinations, and particular forms are covered in the HUD guidelines and must be followed.

I recommend the Commission complete the inspections and follow HUD

requirements regarding tenant accounting.

Reply